SECTIONALISM IN FINANCE.

If the student of history should be required to say what has been our greatest national evil, he could express his answer in the single word, Sectionalism; which, in any of its various types, is a menace to public and individual prosperity, and a prolific source of discord and disaster. For more than forty years, from the time of the Missouri Compromise until the opening of the bloodiest war of modern times, our progress was impeded by local jealousies, and by sectional hatred in its most violent form. The conflict was inevitable, and when at last it was ended, and the disbanded armies had returned once more to peaceful avocations, the old bitter feeling was too strong to be overcome at once. We can all remember how often the moribund issues of other days were revived and given a prominence that was worse than useless; and we are all aware that not until the lapse of a quarter of a century, and the coming of a new generation, could we realize that this particular phase of sectionalism was dead at last.

We live no longer amid the gleam of bayonets, nor do we dwell beneath the shadow of the Force Bill, and if we must engage in sectional controversy, we can at least take comfort from the fact that the kind with which we have to deal is not as sanguinary as that which confronted our fathers. The variety which has manifested itself for several years, and which confronts us to-day, may be termed Financial Sectionalism. For seventeen years the financial policy of the government has been a question of ever-increasing interest and importance, until now it has obscured every other issue. The emergency is so great that our National Legislature, in obedience to the call of the President, is now assembled in extraordinary session to act upon the necessities of the hour. The monetary stringency which for months past has been severely felt in every section of the Union,

the terrific shrinkage in the money values of real estate, of stocks and bonds, of iron, of cotton, corn and wheat, amounting to thousands of millions of dollars, the universal lack of confidence, and the depression felt by every interest—agricultural, industrial, commercial, and professional, have indeed served as an object lesson in finance, and have brought about a great change of opinion in many localities. But even in the light of all this costly experience, we find that in the financial warfare now being waged, new sectional lines are drawn almost as sharply as the old ones were in the days when Mason and Dixon's line marked the boundary between the slave-holding States and the free. We hear of the sound money States, the soft money States, and the silver States; and we find that, as a rule, the people of the older, wealthier, and more densely populated sections, conveniently called the East, are advocates of a monetary system totally different from that demanded by the people of the South and West, the newer and more thinly inhabited sections, where nearly every man is a debtor, and where the chief pursuits are agriculture, stock raising, and mining.

In the course of this financial discussion we have heard a great deal about Wall Street, gold-bugs, and conspiracies, from the champions of one side, and there have been some retaliatory remarks about silver kings, debt-scalers, and repudiators. We have permitted ourselves to become unduly excited over a purely practical question. Our politicians have taken up the issue, have waxed eloquent, and have evinced much feeling over a subject which properly admits of neither sentiment nor eloquence—a subject of which their knowledge is often as limited as is their practical acquaintance with gold, silver, and greenbacks. Our financial affairs are now largely controlled by political influences and combinations, but we shall never attain our full measure of prosperity until the entire system of finance is committed to the guidance of those whom education and experience have eminently fitted for the trust.

In the South every man thinks himself a financier, and it

is indeed strange how prone we are to disregard the established principles of economics, and how lightly we value the opinions of those whose studies and opportunities have best qualified them to pass intelligent judgment upon financial problems. In case of sickness, we call in the best physician we can get; on intricate points of law, we seek the counsel of an able attorney; when we build a house, we accept the plans of an architect;—in all these instances we show our respect for professional knowledge and skill; but on questions relating to money, it seems to be expected that intuition will supply the information which is usually acquired only by years of experience and study. The present writer must admit that, as far as he has read upon financial topics, he has been more impressed by the tenets of the sound money advocates—gold-bugs, if you will—than he has been by the theories of the inflationists. He has been inclined to defer to the opinions of those familiar with the handling and loaning of money, rather than to the ideas of those familiar only with efforts to borrow it. If all those who have been agitating the question of money so long, had devoted their time and talents to accumulating it, and, if the financial legislation of recent years had been different, the country would have been spared the disasters of the present year.

The unwise laws whose repeal is now sought by President Cleveland in response to the appeals and demands of the business interests of nearly all sections, are embodied in what is known as the Act of July 14, 1890, or the Sherman Silver Law. Before we attempt a discussion of this law, it may be well briefly to review the nature and functions of money, as outlined by economists, the causes that have led to the use of gold and silver as absolute money, and the experience of our government with bi-metallism.

Perhaps the best definition of money is that of General Walker, who says it is "that which passes freely from hand to hand throughout the community in final discharge

of debts and full payment for commodities, being accepted equally without reference to the character or credit of the person who offers it, and without the intention of the person who receives it to consume it, or enjoy it, or apply it to any other use than in time to tender it to others in discharge of debts or payment for commodities."

It has three legitimate functions: (1) it is a measure or common denominator of value, by which the comparative worth of commodities or services is estimated: (2) it is a common medium of exchange, necessary to transfer a service or commodity for another service or commodity, without resorting to the direct or primitive method of barter: and (3) it is the standard of deferred payments, by which future contracts and obligations are determined.

Passing over familiar details such as the ancient forms of money, and the early use of metals for this purpose, iron, lead, copper, bronze, and, finally, silver and gold, and the obvious advantages of coinage, we must dwell for a moment on the qualities that should be possessed by a metal selected by a civilized nation to discharge the functions of money. Being a measure of value, it should itself possess value: it must have the attribute it is intended to denote, just as a measure of distance must have length, and a measure of the force of gravity must have weight. Being a medium of exchange, it must possess the qualities of durability, divisibility, and portability, and in order to be conveniently handled, it must have great value in small bulk. Finally, as a standard for the payment of obligations maturing at some future time, it is imperative that it should possess the quality of steadiness in value. As far as possible, it should be free from fluctuations: consequently there should be a limit to its greatest possible production—its output at any time must be small in proportion to the amount already in existence. For want of one or more of these characteristics, the baser metals were long ago abandoned as money, except to a limited extent as tokens, and the two retained that possessed in

the greatest degree the essentials just enumerated, silver and gold.

The use of both the precious metals as money at a fixed ratio, prescribing how much in weight of one shall be equal in value to a given weight of the other, is termed bimetallism. Such selection by an individual nation of the two metals as unlimited legal tender in payment of debts at a ratio fixed without reference to the legal ratios of other nations, is national bimetallism; while an agreement between all the great commercial countries of the world on a uniform ratio, keeping the relative value of silver to gold invariable, and causing the concurrent use of both in all countries, would be international bimetallism. Monometallism implies the use of only one metal as a legal standard, and it is evident from Gresham's Law that silver monometallism does not permit of the circulation of gold; but gold monometallism does not necessarily convey the idea of the abandonment of silver as a money metal. Its advocates contend that gold, which is more uniform in value, is best suited for large transactions and for deferred payments, and that silver, which is more bulky and more subject to fluctuations, should be used only in smaller payments, and that its legal tender quality should be limited,

One hundred and one years have elapsed since our first coinage laws were enacted. The experiment of national bimetallism was adopted, and the Act of April 2, 1792, authorized the free coinage of gold and silver, at the rate of 1 to 15, which was then, as nearly as could be ascertained, the relative commercial value both in this country and in Europe. The gold dollar was not authorized, and the ten-dollar piece was made the basis of our gold coins, and contained 247.5 grains of pure gold, so that a gold dollar would have been the equivalent of 24.75 grains of pure gold. The only dollar provided for was the silver dollar, which contained 15 times 24.75 grains of pure silver, or 371¼ grains. The silver coins representing the

fractional parts of a dollar, as halves, quarters, dimes, and half-dimes, were established of the same fineness, and of a weight corresponding to their proportion of a dollar. Thus any cause affecting the circulation of the silver dollar would have the same effect upon the circulation of the minor coins. In the course of time the value of silver began to depreciate to a point where it required more than fifteen ounces of it to be exchangeable for one ounce of gold, and the effect of this decline was to drive the undervalued metal, gold, out of circulation. The necessity for a change of ratio was recognized, and accordingly, in 1834, the legal ratio between gold and silver was fixed at 1 to 16, to conform more nearly to commercial values. Instead of increasing the number of grains in a silver dollar until it reached the value of the gold dollar on the new basis, the weight of the gold coins was diminished to meet the fall in value of the silver dollar, the amount of pure gold in the eagle being reduced from 247.5 to 232 grains; and thus, to this extent, we were guilty of debasing our coinage. A slight change was made in 1837, when an act was passed fixing the same proportion of alloy for both gold and silver coins, one-tenth for each. The standard weight of the silver dollar was reduced from 416 to 412½ grains, its amount of pure silver being unchanged at 371¼ grains; and the standard weight of the gold eagle remaining at 258 grains, its proportion of pure gold was slightly increased from 232 to 232.2 grains, making the legal ratio between the silver and gold coins as 371.25 to 23.22, or 15.98 to 1, which is the lawful proportion at the present time. In these changes of ratio, silver was slightly undervalued, and gold came back into circulation; and in 1849–50, owing to the phenomenal discoveries of gold in California, the commercial value of silver advanced so far above its coinage value that it began to be impossible to keep the silver coins in circulation. No man cared to pay a debt of one dollar with a coin which he could sell to a bullion dealer for one dollar and four cents in terms of gold; and as the minor

silver coins contained the same amount of silver in proportion as the dollar, they also disappeared, and business was seriously hampered for lack of small change. Various unsatisfactory substitutes were devised, such as change bills, checks, and tokens of different kinds, and the inconvenience finally became so great that, in 1853, Congress passed an act reducing the amount of pure silver in a half-dollar nearly 13 grains (from 172.80 to 165.62), and in the quarters, dimes, and half-dimes proportionately, and deprived all these coins of legal tender quality for amounts exceeding $5.00 at one payment. In this act the silver dollar was not mentioned; it had long since disappeared, and, its place having been supplied by the gold dollar, which was first coined in 1849, and by bank bills, its absence was not felt. There was practically but a single standard at this time, and that standard was gold. The reduction of the weight of the minor silver coins to a point where it was no longer profitable to sell them as bullion, served to keep them in circulation; and their reduction to subsidiary rank by the restriction of their legal tender power and the withdrawal of their free coinage feature—the amount to be coined being left to the discretion of the Secretary of the Treasury—was a practical abandonment of bimetallism by this government, a recognition of gold as the sole basis of value, and a relegation of silver to a secondary place. But as the commercial value of silver was greater than its coinage value, owing to the operation of the natural laws of supply and demand, there were no complaints from producers of silver, nor from any class of debtors. Nor was there any opposition, in 1873, by the friends of silver to the famous measure known as the Act Demonetizing Silver, which has since been so often denounced as the "monumental crime of the century." Silver was then worth more commercially than its coinage valuation, and among those who voted for this bill was Senator Wm. M. Stewart, of Nevada, then and now a large operator of silver mines, and now one of the most active and ardent advocates of the free and unlimited coinage of silver. It is

not generally known that the silver dollar was not demonetized by the Act of 1873. It was simply dropped from the list of coins to be thereafter issued, and the legal tender quality of those silver dollars already in existence was not disturbed. The silver dollar was, however, shorn of a portion of its monetary power, but it was done by virtue of the Act of June 22, 1874, which put into effect the revision of the statutes of the United States. A section of the Revised Statutes (S. 3586) thus limited the legal tender power of all silver coins, the dollar included: "The silver coins of the United States shall be a legal tender at their nominal value, for any amount not exceeding five dollars in any one payment."

There has been so much misdirected sentiment about the great wrong that was done in taking away from us the "dollar of our fathers" that it would be well for us to bear in mind that the total coinage of silver dollars, from the establishment of the mint in 1792 to the suspension of their coinage in 1873, was scarcely more than 8,000,000 pieces, and that there are not now enough of these dollars in existence to enable more than every fourth family in the United States to possess one as a souvenir. In view, too, of the attitude assumed at the present time by many who claim to be disciples of Thomas Jefferson, it is well to remember that an order was issued in 1805 by President Jefferson stopping the coinage of the silver dollar, and that such coinage was not resumed for thirty-one years.

It was not until there began to be a sharp decline in the price of silver in the years 1875 and 1876, that attacks were made upon the law of 1873, and there were certain peculiar conditions in our financial situation at that time which served to bring about an alliance between the silver-mining interests of the far West and the agricultural interests of the South and middle West. Here begins the era of sectionalism in finance. There had been an issue by the United States of something like a thousand million dollars of legal tender Treasury notes, fiat money pure and simple,

based, not upon a coin reserve, but merely upon the faith and credit of the government, which was not very good when those notes were issued as an expedient to relieve the Treasury of the exigencies in which it was placed to provide funds for the prosecution of the war. The legality ot this issue had been upheld by a narrow majority of the Supreme Court, solely upon the grounds of public policy and natural necessity, and, as a logical consequence of so large an issue of fiat money, both gold and silver had been driven from circulation, and were bought and sold as commodities, or rather as objects of speculation, their values being expressed in terms of this depreciated currency. Specie payments had been universally suspended, and we had a paper standard of value. The natural commercial and industrial revival incident to the establishment of peace, and the great redundancy of the paper symbols of money, lent a powerful impetus to development and speculation. As a result of several years of over-trading and unnatural inflation of values, we had the memorable panic of 1873—the effects of which were particularly disastrous to those who had borrowed money, which they found themselves unable to repay. In the flush times preceding the panic, the people of the South and West, to obtain means to aid them in their various enterprises and developments, had borrowed largely from the money centres of the East, and thus the relations between the sections, of debtor and creditor, had become well established. After disaster had overtaken them, the debtors being anxious to find some way to relieve their distresses, and to discharge their obligations to their creditors as cheaply as possible, joined in the demand for more money, for a lower standard. Having vainly attempted to repeal the Act for the Resumption of Specie Payments, which provided also for the retirement of the legal tender Treasury notes down to the present limit of $346,000,000, and having been forced to abandon the Utopian dream of unlimited paper money, their union with the silver producers, who were seeking to sustain their falling product, was a natural

consummation. Then began the demand for the free and unlimited coinage of silver at the old ratio; then were the politicians and the people loud in their cries for the "dollar of the fathers," and bitter in their denunciations of the Shylocks and gold-bugs of the East, who were averse to being repaid in money of diminished purchasing power. Senators and Representatives in Congress, afraid to oppose their constituents, were tireless in their efforts, and enthusiastic in their zeal for "free silver," though they represented States producing not a dollar's worth of the "white metal," and though, if left to their individual judgments, they might have favored a different course. There was one conspicuous and honorable exception, an instance of honesty, courage, and independence, rarely seen in political life, and an example that is to be commended to some Senators of the present day. That eminent man, whose brilliant career as soldier, scholar, statesman, and jurist, was closed by death only a few months ago—L. Q. C. Lamar—was then a Senator from the State of Mississippi. The Legislature of that State had passed a joint resolution instructing its Senators to vote for the repeal of the Resumption Act, and to support the bill for the free coinage of silver. Upon receiving these instructions, Senator Lamar arose from his seat and gave utterance to these brave words, which have become historic: "Mr. President, between these resolutions and my convictions there is a great gulf. I cannot pass it . . . . . I have always endeavored to impress the belief that truth was better than falsehood, honesty better than policy, courage better than cowardice. To-day my lessons confront me. Today I must be true or false, honest or cunning, faithful or unfaithful to my people. Even in this hour of their legislative displeasure and disapprobation, I cannot vote as these resolutions direct. I cannot and will not shirk the responsibilities which my position imposes. My duty, as I see it, I will do, and I will vote against this bill. . . . . Then it will be for them to determine if adherence to my honest convictions has disqualified me from representing them."

The silver advocates were unable to secure free coinage, but succeeded in enacting a measure providing for the coinage of silver for government account, which is known as the Bland Bill. This Act, which was not approved by the President, and was passed over his veto on February 28, 1878, restored the full legal tender quality of the silver dollar, and directed the Secretary of the Treasury to purchase "from time to time, silver bullion at the market price thereof, not less than $2,000,000 worth per month, nor more than $4,000,000 per month, and cause the same to be coined monthly, as fast as so purchased, into dollars." The weight of the dollar was fixed at 412.5 grains of standard silver—equal to 371.25 grains of pure silver, thus retaining the old ratio of 15.86 to 1, established by the Act of 1837. The commercial value of silver then was about $1.15 per ounce, so that when the coinage of the silver dollar was resumed, its intrinsic value was less than 90 cents. It was very plausibly argued that a restoration of silver to coinage and legal tender would so enhance its market value that it would soon have, commercially, the value placed upon it by law. The increased production of silver, however, was such that its price steadily declined. Government purchases were not sufficient to absorb it. Under the Act of 1878 the Treasury bought 291,292,019 ounces of fine silver, at a cost of $308,199,262, and coined it into silver dollars amounting to $378,196,793. This profit of nearly $70,000,000 accruing to the government by stamping a falsehood on its coins, aroused the cupidity of the silver producers, who desired to make it themselves, and the demand for free coinage for individual account was renewed. The failure of the silver inflation to produce the promised good effects was explained by the argument that the experiment had not been fairly tried; that only the minimum amount—$2,000,000 per month—had ever been coined, and that had the maximum amount been coined, approximating the surplus production of American mines, the result would have been different; that the true solution was free coinage, i. e.—that the holders of silver

bullion ought to be entitled to take their bullion to the mints and have it coined upon the same terms as gold. The issue being thus revived, in the spring of 1890 a free coinage measure passed the Senate, was amended in the House, was referred to a committee of conference, with Senator Sherman as chairman, and resulted in the compromise, which, becoming a law on July 14, 1890, is known as the Sherman Silver Purchase Act. No financial measure has ever provoked more discussion throughout the commercial world, and none has proved more disappointing to its authors, more unsatisfactory to its beneficiaries, more disastrous in its effects upon business. It was estimated that the annual yield of American mines, after deducting the amounts used in the arts and in South American trade was about 54,000,000 ounces, and it was contended that if our government would buy this amount, thus relieving the silver market to this extent, the commercial value of silver throughout the world could not fail to advance to a point equal to our legal coinage ratio. Acting upon this theory, the new law directed the Secretary of the Treasury to purchase each month 4,500,000 ounces of silver bullion at the market value thereof, so long as silver was depreciated below its par of exchange with gold, and to issue in payment therefor United States Treasury notes in denominations of from $1 to $1,000. These notes were made legal tender for all debts unless expressly stipulated otherwise in the contract, and receivable for all public dues, and, when so received, were to be reissued. They were made redeemable "in coin," either gold or silver, at the discretion of the Treasury. Coinage of silver dollars was continued, as provided by the Bland Act, until July 1, 1891, and after that time the Secretary of the Treasury was required to coin only so much of the bullion as might be necessary to redeem the notes issued for its purchase.

On the 1st day of July, 1893, in following the requirements of this Act, the government had issued, in round numbers, $149,000,000 of Treasury notes in payment for its bul-

lion purchases. The total coinage of silver dollars since 1878, amounts to $419,332,305, of which vast sum there is in circulation only about $58,000,000, and should the government be afforded an opportunity to-day, to exchange its stock of silver coin and bullion for its equivalent in gold, we should see entailed upon it a net loss of more than $125,000,000. While it is true that our government is rich, and that this loss, great as it is, will not bankrupt the Treasury, it is yet equally true that an indefinite continuance of our present policy will drive it to the point where it will no longer be able to redeem its notes in gold, but will be forced to pay them in silver, thus admitting its inability to maintain the parity of its obligations based upon silver with those based upon gold. It is only by encroaching upon a fund of gold provided as a reserve for the old legal tender notes, that the Treasury has been enabled for months past to meet the demands upon it for gold. Statistics show that 98 per cent. of the notes issued for silver purchases during the present year have been presented for redemption, so that practically we have been exchanging a meagre stock of gold for a hoarding of silver bullion. Foreign confidence in our financial integrity has been seriously impaired. European holdings of our securities have been thrown upon our stock markets in fabulous sums, and on a certain day a few weeks ago the business world witnessed the anomalous spectacle of money ruling at 74 per cent. on call in New York, and at 1¾ per cent. in London. We have also seen a restriction of payments by the banks throughout the country, and a premium on currency at the commercial centres of $10 to $40 per thousand. During the past twelve months, there has been an increase in the amount of circulation of silver, silver Treasury notes, and national bank notes, of $44,000,000, but gold and gold certificates have disappeared to the extent of $53,000,000, so that on July 1st of this year, notwithstanding the silver inflation, our money circulation was actually less by $9,000,000 than it was on the same day in 1892. And when we reflect that nearly 95 per cent. of the business

transactions of this country are conducted through the banks upon some form of credit, and that actual money transfers are made in but little over 5 per cent.; that confidence is the great mainstay of business, and that any impairment of it results in a contraction of credits far exceeding the sum total of any possible money circulation, we can realize the importance of wiping from existence any cause or any law that operates to destroy that confidence.

It is true that the repeal of that part of the Sherman Act directing the purchase of silver, and the withdrawal of all government support of that metal may result in the closing of some mines which cannot be profitably worked at a low price for their products, and that the general business interests of the silver-producing States may at first be unfavorably affected. In some parts of Tennessee and Alabama, the production of iron is the most important industry. The price is abnormally low, and it requires every effort on the part of the companies to keep their furnaces in operation, and should they be forced to extinguish their fires, we should be left in great depression. Yet we stand upon our merits, though we have just as much right to ask Congress to purchase our iron at $20 per ton with legal tender certificates payable in gold, as have the silver men of Colorado and Montana to demand a continuance of their sales to the government, or to ask for the coinage of sixty cent dollars.

The attempt to maintain a double standard in this country has been a failure. We have had merely a succession of single standards; and under the free coinage system that standard was always the over-valued metal; first silver then gold; the two metals were never able to circulate together. We have seen that up to 1834 silver was the only coin that could be kept in circulation, and that after the change of ratio at that time, gold reappeared and silver vanished. Up to the civil war we practically did not have bimetallism, but gold monometallism. The least deviation between commercial and legal ratios sent one of the metals out of circulation, and while bimetallism was impossible for

over forty years because the silver dollar was worth from one to four cents more than the gold one, our friends in the far West would have us believe that bimetallism would be entirely feasible to-day, with a silver dollar worth from 40 to 45 cents less than a gold one.

The production of gold from 1850 to the present time has exceeded in amount all that was produced from the time of the discovery of America to the close of the first half of the present century. Its superiority over silver as a money metal has always been admitted, and its scarcity alone prevented its universal adoption as the sole standard of value. The great commercial nations have been availing themselves of its increased supply, and for many years have been substituting it for their silver, which they have exported in large amounts to India and other countries having a semi-barbaric population, until they are now firmly upon a gold basis. France, which is so often quoted as an example of successful bimetallism, has limited the debt-paying power of its 3,500,000,000 francs of silver, and has accumulated nearly one-fourth of the entire gold stock of the world. We felt the effects last winter of exports of gold to Austria, when that country was establishing itself upon a sound money basis, and last June the sudden drop of silver from 83 to 62 cents an ounce, was the effect of India's announcement to the world that she, too, had a surfeit of cheap money, and had stopped the free coinage of silver for private account.

In no leading nation of the earth is there now a mint open for the free coinage of silver. It is strange that when the doors are closed to silver coinage everywhere else, the demand should be made that they be thrown wide open here.

Three years ago, last month, silver was worth $1.21 per ounce; within six weeks it fell to $1.05. Quoted at 83 on the first of last June, it fell during the month to 62, and is now worth 74. Does any one contend that such a record meets that

great monetary requirement, steadiness in value, necessary in a standard of deferred payments?

Let us hope for a speedy cessation of silver purchases, without any further attempts at national bimetallism. The world has shown a preference for gold, and all the power of this government cannot avail to change that choice. Should we close our ports, and build a wall along our frontiers, and permit no one to enter, no one to leave, then, perhaps, national legislation could fix the commercial value of silver in this country; but as long as we have business with the outside world, we cannot bestow upon any commodity an artificial value which it does not inherently possess. Surely it would be best for all sections, East, South, and West, to unite upon a financial policy, based upon natural laws. As other nations find it to their interest to enter into no agreement with us so long as we attempt to uphold silver, we must perforce drop it, limit the debt-paying power of the stock we have, and by the withdrawal of paper bills of small denominations, force it into circulation, and devote ourselves to the accumulation of gold. By enlarging the national banking system, and permitting the banks to issue circulating notes to the par value of their bonds, a volume of sound currency would come into circulation, which would not drive out any element of the total circulating medium; and should experience prove that the quantity of gold in existence is insufficient to make the world's exchanges, we might be in a position to force Europe to join in the international re-monetization of silver, and could perhaps dictate the ratio to be established between the metals. The nations united can accomplish what none can do singly, and international bimetallism offers the only hope for the concurrent circulation of gold and silver as full legal tender money.

The greatest need of the country at present is the speedy restoration of the confidence that has been so rudely shaken by this year's crisis. Present conditions are not similar to those that prevailed in the upheavals of 1837, 1857, and 1873. We see no indications of unusual speculation, too

rapid development, or of over-trading; there has been no marked failure of crops for several years. There is, therefore, every reason to believe that when the prime cause of disturbance is removed, the much longed-for confidence will return. It is a great mistake to think that the capitalists and financial institutions of the East, or of any section, are beneficiaries of "hard times." The reverse is the case, for the shrinkage in values, and the loss of interest on money hoarded in times of a "scare," and the weakening of the loaning power of banks on account of the falling off of deposits, more than offset the high rates offered for money, not to mention the losses incurred by failures of debtors and decline of collaterals. There is no class of men who have been subject to a severer strain of late, or who have more reason to long for the return of low rates and "easy money," than the much abused bankers of New York.

It is a favorite dogma with the Southern people that the money circulation of the country, $23.86 per capita, is much too small for the needs of business, and a candidate for political honors would stand small chance for election who did not promise to secure an immediate increase to $50 per capita; and yet it would seem that the amount of that circulation is a matter of smaller importance than the manner of its distribution. If, by some unknown means, the sum of $25 could be given to every person in the United States, unless the course of our domestic trade was changed, that money would soon flow through the regular channels to the same reservoirs that hold it now.

It has been estimated that the money in circulation in Alabama per capita, is about $8, in Tennessee $13, and in Massachusetts, $287. The cause of this disparity is not hard to find. Alabama, for instance, has been wholly an agricultural State, producing for market a single staple, cotton, a raw material, useless until manufactured. Of late years she has been building up an iron industry, resulting again in the production of a raw material, pig iron, which is mostly sent beyond her borders to be worked up. She also

ships timber and rough lumber in large amounts to be made elsewhere into vessels, cars, wagons, furniture, etc. These and other crude products of her fields, mines, and forests, bring to her annually not less than $100,000,000. But at $8 per head, the local circulation, the cash assets, so to speak, amount to only $12,000,000; of the rest some has been invested locally, the greater part has gone abroad to be exchanged for needed commodities or to pay for borrowed capital. Alabama buys from other States food, clothing, tools, machinery, household furniture, and all the numerous appliances and conveniences required by our modern civilization, and returns in payment for them nearly ninety per cent. of the money received for her raw materials. When, in addition to this, we consider the large amount that goes out each year for interest on money borrowed, what wonder is it that the balance available for local circulation is limited?

If she would increase the volume of this circulation, and the same is true of the other Southern States, she must diversify her industries, and especially work up her crude materials. Money seeks the markets where needed commodities are to be had, and if the local markets can supply these wants, then it will remain in local circulation. This fact accounts in a great measure for the large per capita circulation in Massachusetts; her citizens can buy within her borders and from each other, nearly all that their needs or wishes may demand.

A good idea of the relative financial strength and weakness of the different sections can be obtained from the following table, which has been compiled from Rand, McNally & Co.'s "Bankers' Directory" and "Rhodes' Journal of Banking." This table, which is a recapitulation of tables already published in the Birmingham (Ala.) "Age-Herald," shows the number of banks in each section on January 1st, 1893, the number of banks in each closed between that date and September 7th, 1893, and the number of closed banks reopened:

SECTIONS.	No. of Banks.	Closed.	Resumed.	Percentage Closed.
New England States	1,211	12	0	.009
Middle States	2,171	48	6	.022
Southern States	2,430	152	24	.062
Central Western States	2,722	163	27	.06
Western States	3,152	252	39	.08
Pacific States	761	83	31	.109
Total United States	12,447	710	127	.342

There have been bank suspensions in all the States except Connecticut, Nevada, and Arizona. Connecticut being the land of steady habits, wooden nutmegs and Yankee thrift, naturally escaped unscathed, and the immunity of Nevada and Arizona is probably due to lack of material for a panic to work on.

The failures have been fewest in the thirteen States classified as New England and Middle. The banks in these States have not only themselves to take care of, but have been called upon to aid the other sections, and, under the circumstances, have responded liberally. It is worthy of note that when the vote was taken recently in the House of Representatives on the repeal of the Sherman Law, the Representatives of these thirteen States voted solidly for repeal, with a single exception—Mr. Sibley, of Pennsylvania. Thus the sections most thoroughly aroused to action on the repeal measure have weathered the storm with the fewest casualties.

On the other hand, the groups of Western States and Pacific States, which have been most determined to commit the country to the policy of free coinage, have suffered most from the panic that arose from the fear that the policy advocated by them might prevail. Kansas leads with fifty-five suspensions, or more than 9 per cent. of all other banks; Colorado shows forty-two closed banks or 33 per cent., and Montana looms up with nineteen suspensions out of a total of fifty-nine banks, with no resumptions yet reported.

By comparison with the other sections, the South has fared remarkably well. Only a fraction more than 6 per cent. of her banks have closed this year, and of the 152 closed, 24 or nearly 16 per cent. have resumed.

Per capita circulation, then, depends not on legislation, but upon local industrial conditions, and the self-regulating laws of trade and finance. We should, therefore, cease to disturb ourselves about the national average, and set to work to increase our own proportion. There is no certain way to get money of except by giving something of value for it; and when we produce commodities of value, in excess of our own requirements, we have a wealth, measurable in, and exchangeable for, money; and in proportion as what we produce to sell to others, exceeds or falls below what we have to buy outside, so will our money circulation increase or diminish.

We of the South have a higher destiny than to be a section of debtors, but we cannot reach that destiny by abusing others for being prosperous, by aiding in attempts to lower the money standard, or by seeking to shirk our contracts and obligations. Rather let us study the causes that bring wealth to others, and imitate their thrift. Industry guided by intelligence will surely succeed, and step by step we shall gain financial independence, until with credit intact and honor unsullied, with sectional notions in finance as dead as the issues of the past, the South can boast of a prosperity commensurate with its natural resources, and worthy of a brave and generous people.

W. P. G. HARDING.